

**CITY OF TACOMA, PUBLIC WORKS DEPARTMENT )**  
**BUILDINGS AND LAND USE SERVICES**  
**Pierce County, Washington**  
**Special Audit**  
**January 1, 1995 Through September 24, 1995**

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**Schedule Of Findings**

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1. Public Funds Were Misappropriated And Accounting Records Were Falsified Or Altered

Our audit of the financial records of the City of Tacoma's Buildings and Land Use Services Division revealed that at least \$1,586.30 in public funds was misappropriated by a division timekeeper during the period January 1, 1995, through September 24, 1995. Accounting records were falsified or altered in an attempt to conceal these losses. There were no federal funds involved in this case. These funds were misappropriated as described below.

A division timekeeper altered her original time cards after they were approved by a supervisor, but before they were submitted to the department for final processing. The timekeeper changed these payroll records by using white-out and by writing-over original time card entries. On four occasions, time cards were changed by the public works departmental timekeeper after being instructed to make additional changes by the division timekeeper. At least 20 time cards were changed to increase the amount of overtime work for this employee by a total of 55 hours. These changes were not authorized by the division timekeeper's supervisor. The supervisor made copies of all approved time cards for 1995 before returning them to the timekeeper. These documents allowed the supervisor to detect this overpayment of \$1,586.30 in payroll and related benefits during a normal review of a payroll overtime report.

RCW 9A.56.030 states:

**Theft in the first degree.** (1) A person is guilty of theft in the first degree if he commits theft of:

(a) Property or services which exceed(s) one thousand five hundred dollars in value; or

(b) Property of any value taken from the person of another.

(2) Theft in the first degree is a class B felony.

RCW 9A.60.020 states:

**Forgery.** (1) A person is guilty of forgery if, with intent to injure or defraud:

(a) He falsely makes, completes, or alters a written instrument

or;

(b) He possesses, utters, offers, disposes of, or puts off as true a written instrument which he knows to be forged.

(2) Forgery is a class C felony.

RCW 40.16.020 states:

**Injury to and misappropriation of record.** Every officer who shall mutilate, destroy, conceal, erase, obliterate, or falsify any record or paper appertaining to the officer's office, or who shall fraudulently appropriate to the officer's own use or to the use of another person, or secrete with intent to appropriate to such use, any money, evidence of debt or other property intrusted to the officer by virtue of the officer's office, shall be punished by imprisonment in a state correctional facility for not more than ten years, or by a fine of not more than five thousand dollars, or by both.

RCW 42.20.060 states:

**Falsely auditing and paying claims.** Every public officer, or person holding or discharging the duties of any public office or place of trust under the state or in any county, town or city, a part of whose duty it is to audit, allow or pay, or take part in auditing, allowing or paying, claims or demands upon the state or such county, town or city, who shall knowingly audit, allow or pay, or, directly or indirectly, consent to or in any way connive at the auditing, allowance or payment of any claim or demand against the state or such county, town or city, which is false or fraudulent or contains any charge, item or claim which is false or fraudulent, shall be guilty of a gross misdemeanor.

The following internal control weaknesses allowed the division timekeeper to misappropriate funds and conceal this loss without being detected.

- a. Approved time cards were returned to the division timekeeper by the supervisor before submission to the departmental timekeeper for processing.
- b. Time card changes were allowed to be made by individuals other than the employee's approving supervisor.

The City of Tacoma has a personnel dishonesty bonding policy for all employees. However, the amount of this loss did not exceed the deductible provision of the policy.

We recommend the City of Tacoma's Buildings and Land Use Division seek recovery of the misappropriated \$1,586.30 and related audit/investigation costs from the division timekeeper. We further recommend the Washington State Office of the Attorney General and the Pierce County Prosecuting Attorney review this matter and take whatever action is deemed necessary under the circumstances. Any compromise or settlement of this claim must be approved in writing by the Attorney General and State Auditor as directed by RCW 43.09.260.

Bond coverage for the division timekeeper is as follows:

Hartford Fire Insurance Company  
Public Employees Blanket Bond  
Bond Number: PEBJL4805  
Limit: \$1,000,000, subject to a \$25,000 deductible  
September 30, 1995 to September 30, 1996

We also recommend the City of Tacoma implement adequate policies and procedures for the payroll system to ensure that time cards cannot be changed without supervisory approval. All changes to the original document must be performed in permanent ink (no white-out) and initialed.